House Policy Committee Chairman John Shadegg

Social Security: PAY NOW OR PAY LATER

Democrats Won't Discuss Looming Debts

The opponents of Social Security reform – the stand-pat, do-nothing ostrich caucus - talk about the transition costs associated with personal retirement accounts as a reason not to improve the system. But they never mention the massive debts already facing Social Security.

The real question is not whether we will have to borrow money to keep Social Security going, but whether we try to borrow a little now to keep from borrowing a lot later.

Under the current system, government will have to borrow **$4 trillion** in order to keep Social Security solvent for the next 75 years, according to the March 2005 Social Security Trustees' Report. Eventually, that figure will rise to over **$11 trillion**.

We have to be clear about this: the Social Security status quo involves borrowingon a massive scale. Failing to improve the system means borrowing – likely combined with reductions in government spending, benefit cuts, and tax increases – for as long as Social Security exists.

Social Security reforms that create personal retirement accounts could involve borrowing today, but should actually reduce Social Security's unfunded obligations in the long run.

Personal accounts, which will earn a rate of return higher than the current system, will shrink the looming Social Security shortfall. Allowing Americans to take advantage of compound interest – what Albert Einstein called the "most powerful force in the universe" – will make the current issues facing Social Security, which can seem insurmountable the moment, a lot less burdensome in the long run. Doing so will give future Americans more choices.